CANADA MORTGAGE AND HOUSING CORPORATION

HOUSING MARKET OUTLOOK

London CMA

Date Released: Spring 2007

New Home Market

Starts Hold at High Level

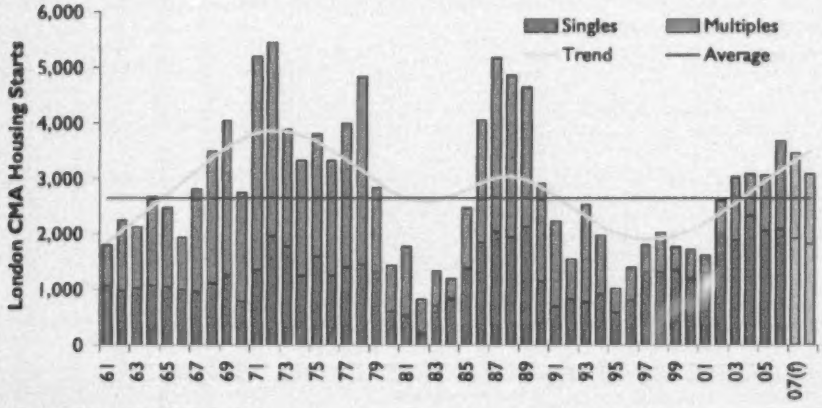
Housing starts are expected to total 3,480 homes in 2007 in the London Census Metropolitan Area (CMA). The slight downturn, five per cent from the 16-year high of 3,674 starts in 2006, will be mainly attributed to the decline in single-detached home construction.

The improvement in the job market has been pushing up real income gains in the London area. Low mortgage rates coupled with strong home price appreciation since 2000 have kept Londoners optimistic about getting into the homeownership market.

Move-up buyers are the main force in the new home market which is dominated by single-detached homes. The average price[1] of newly-completed and sold single-detached homes will advance by nine per cent to $297,600. New single-detached

Figure 1

Housing Starts to Stay Strong



Source: CMHC; (f) CMHC forecasts

In this Issue

1 **New Home Market**
Starts Hold at High Level

2 **Resale Market**
Record Sales

3 **Rental Market**
Vacancy Rate Slightly Up

3 **Economic Trends**
Job Growth Picks Up
Mortgage Rates Will Remain Low

4 **Demographic Trends**
Population Grows Faster

5 **Forecast Summary**

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at **www.cmhc.ca/housingmarketinformation**. View, print, download or subscribe to get market information e-mailed to you on the day it is released.

New ! CMHC's electronic suite of national standardized products is now available for free.

Canada

CMHC SCHL
HOME TO CANADIANS

Figure 2

homes priced under $200,000, approximately the average price of existing homes, will represent only ten per cent of the new supply. This will drive the bulk of first-time home buyers into the resale market. There will be 1,950 single-detached dwellings started in 2007, down seven per cent from the 2,090 homes in 2006. London City will continue to account for the majority of these new homes. About two-thirds of them will be two-storey homes.

The apartment construction boom will continue in the London area, as builders respond to the strong inflow of young migrants as well as the increasing appetite for apartment-style living from the mature population. After the strong performance in this sector in 2006, starts in 2007 will level off with 1,100 units. Most of the new projects will be concentrated in London City. Expected annual apartment completions from 2007 to 2009 will be close to 1,000 units.

Townhouse and semi-detached home starts will remain at the similar percentage, 12 per cent, of total starts in 2006. This will translate into 430 new homes.

Resale Market

Record Sales

The existing home market will see another record year. Sales through the Multiple Listing Service (MLS®) will top 9,100 homes, up two per cent from the record of 8,960 sales set in 2006. First-time home buyers will continue to flock to the resale market and drive prices up. Homes priced under $200,000 make up close to two-thirds of the pool in the resale market compared to ten per cent in the new home market.

More existing home owners, who have accumulated sizable equity gains through price appreciation, will list their homes for sale. Total new listings will grow four per cent to 15,280 homes. With the growth of supply outpacing demand, listed homes will stay on the market longer.

The resale home market will remain a seller's market with the sales-to-new listings ratio staying close to 60 per cent. London City will continue to account for 70 per cent of total home sales. The average resale home price is expected to increase by six per cent and surpass the $200,000 mark for the first time. However, at this price level, homes are still afford-

Figure 3

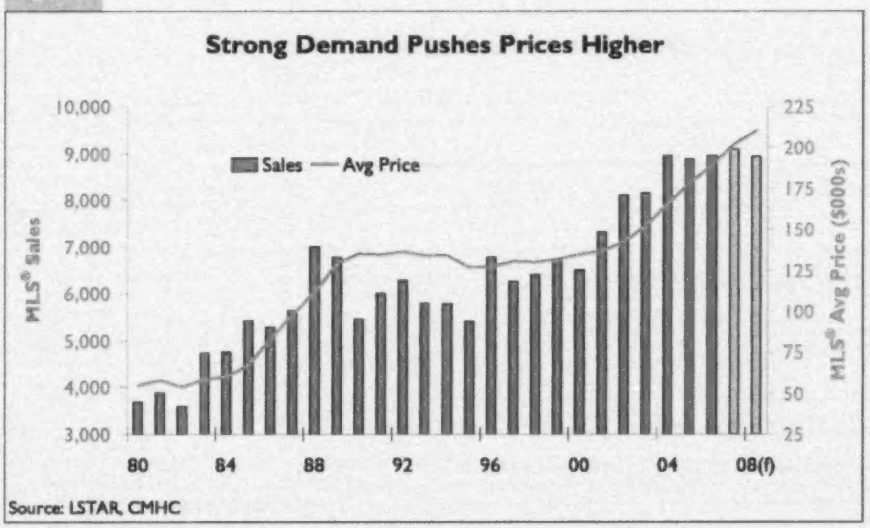


Figure 4

able because of conducive borrowing conditions.

St. Thomas, thanks to the rapid population growth, will set record sales of more than 800 units compared to 709 sales in 2006. The resale market in St. Thomas will remain the tightest in the London CMA.

Rental Market

Vacancy Rate Slightly Up

Moderately rising new supply and continuous strong home ownership demand from first-time buyers will cause the average vacancy rate for rental apartments to increase slightly to 3.8 per cent (in October 2007) from 3.6 per cent in 2006. Total rental apartment completions from July 2006 to June 2007 will be close to 500 units, which is higher than the 320-unit completions recorded in the previous period.

With the 2007 average vacancy rate of 3.8 per cent, close to the 15-year average of 3.6 per cent, rent increases should remain close to the average rent increase in this period of 2.2 per cent. The forecasted average rent for a two-bedroom apartment will reach $807 compared to $790 in 2006.

Economic Trends

Job Growth Picks Up

Employment growth in the London area will pick up in 2007. More than three thousand new jobs will be created, pulling total employment up 1.3 per cent to 248,700. Unemployment rate will decline to 5.9 per cent from 6.2 per cent in 2006.

The service industry has been steadily creating new jobs since the late 1990s. Most of the new jobs are in sectors like accommodation and food, education, health care, information, culture and recreation, and professional and technical services. Employment in the goods-producing sector has been stable in recent years, although there were some downward swings from time to time. Employment in the goods-producing sector will trend higher. The Toyota plant in Woodstock will begin operation in 2008, but its construction will stimu-

Figure 5

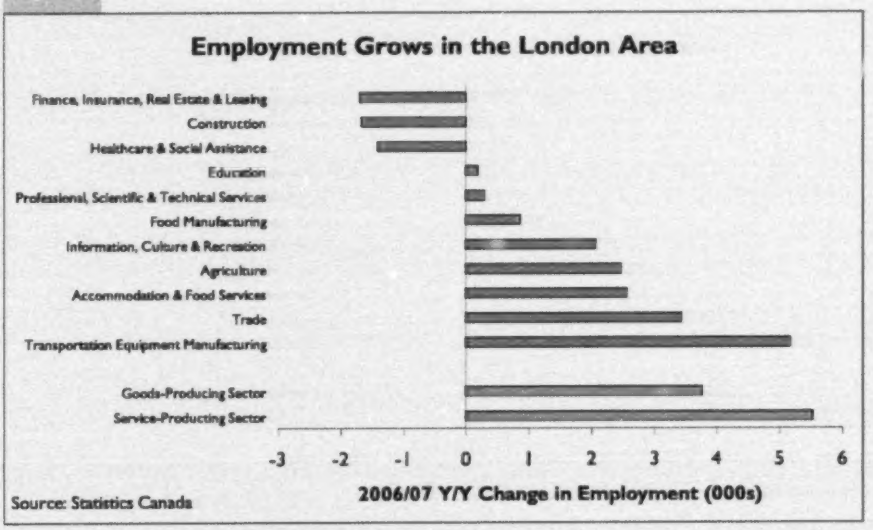


Figure 6

late employment in 2007 and bring auto parts manufacturing companies into the region.

Employment growth, especially growth in high-paid jobs, will continue to support demand for homeownership.

Mortgage Rates Will Remain Low

A combination of a slowing economy, strong Canadian dollar vis-à-vis the U.S. dollar, and moderate inflation will help keep Canadian interest and mortgage rates low over the remainder of this year and in 2008.

Short-term mortgage rates will also ease as the prime rate nudges down over the next twelve months while the long-term mortgage rates will rise slightly in line with bond rates.

One, three and five-year posted mortgage rates are forecast to be in the 5.75-6.75, 6.00-7.00, and 6.25-7.25 per cent ranges respectively over the rest of this year and in 2008.

Demographic Trends

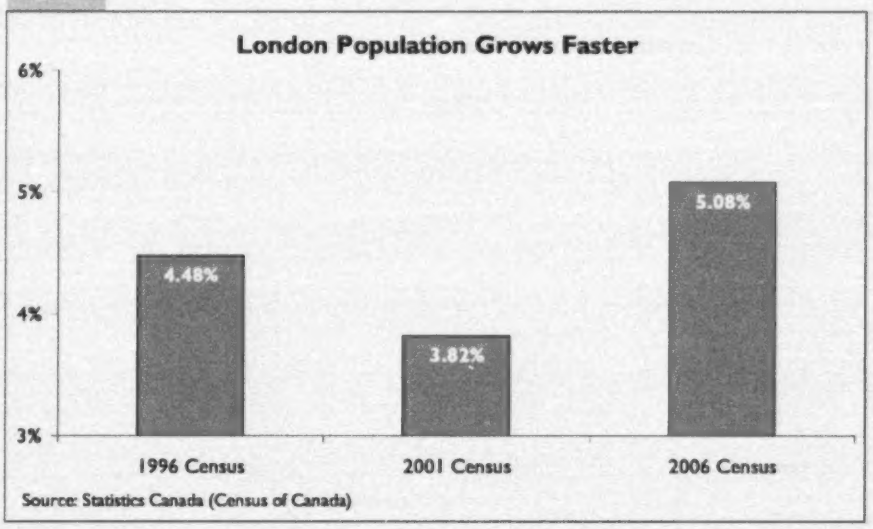
Population Grows Faster

From 2001 to 2006, London gained a total of 22,000 new residents, representing 5.1 per cent increase compared to the 3.8 per cent increase from 1996 to 2001. Migration contributed to most of the increase in the growth rate. Annual net migrants increased to 3,000 people versus 1,550 in the previous five-year period.

Faster population growth added to housing demand, especially ownership housing. Fuelled by low mortgage rates, average annual new ownership home sales increased by 40 per cent to 1,500 homes during 2001-2005 compared to 1,100 sales during 1996-2000. Annual average existing home sales increased by 30 per cent to 8,300 units from 6,300 units.

The projected faster employment growth in 2007 and 2008 will keep flows of net migrants strong in the coming years and help sustain housing demand at a high level.

Figure 7



Forecast Summary London CMA Spring 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	8,953	8,873	8,960	9,100	1.6	8,660	-4.8
MLS® New Listings	13,555	13,732	14,733	15,280	3.7	15,600	2.1
MLS® Average Price ($)	166,464	178,060	189,007	200,500	6.1	208,500	4.0
New Home Market							
Starts:							
Single-Detached	2,336	2,063	2,090	1,950	-6.7	1,850	-5.1
Multiples	742	1,004	1,584	1,530	-3.4	1,300	-15.0
Semi-Detached	26	44	42	50	19.0	50	0.0
Row/Townhouse	303	310	414	380	-8.2	400	5.3
Apartments	413	650	1,128	1,100	-2.5	850	-22.7
Starts - Total	3,078	3,067	3,674	3,480	-5.3	3,150	-9.5
Average Price ($):							
Single-Detached	246,948	270,936	273,548	297,620	8.8	309,520	4.0
Median Price ($):							
Single-Detached	220,425	240,000	250,975	270,560	7.8	281,390	4.0
New Housing Price Index (% chg.)	4.8	4.9	5.2	4.8	-	4.8	-
Rental Market							
October Vacancy Rate (%)	3.7	4.2	3.6	3.8	0.2	4.1	0.3
Two-bedroom Average Rent (October) ($)	758	775	790	807	2	825	2
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.40	0.10	6.29	-0.12
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	6.63	0.18	6.80	0.17
Annual Employment Level	243,600	243,100	245,600	248,700	1.3	252,500	1.5
Employment Growth (%)	3.9	-0.2	1.0	1.3	0.3	1.5	0.2
Unemployment rate (%)	5.9	6.6	6.2	5.9	-	5.7	-
Net Migration	2,447	1,377	1,168	n/a	-	n/a	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), London & St. Thomas Association of Realtors (LSTAR)®, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 60 years.

Together with other housing stakeholders, we help ensure that Canada maintains one of the best housing systems in the world. We are committed to helping Canadians access a wide choice of quality, affordable homes, while making vibrant, healthy communities and cities a reality across the country.

For more information, visit our website at http://www.cmhc.ca/

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is now available for **free** on CMHC's website. You can now view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to http://www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at http://www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of the national standardized product suite or regional specialty publications, call 1 800 668-2642.

©2007 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at mailto:chic@cmhc.gc.ca; (613) 748-2367 or 1 800 668-2642

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

NEW MARKET ANALYSIS REPORTS

Subscribe Now!

Just Released!

- Housing Market Outlook – Canada and Regional Highlights Reports View
- Northern Housing Outlook Report View

Coming Soon!

- **Spring Rental Market Survey Results**
  - Rental Market Report – Canada and Provincial Highlights View
  - Rental Market Statistics View
- Renovation and Home Purchase Report View
- Coverage of additional centres: View

- Abbotsford
- Barrie
- Kingston
- Guelph
- Peterborough
- Brantford

Find out More!

Throughout 2007, CMHC will continue to enhance its suite of surveys and analytical reports to better serve you. Visit www.cmhc.ca/housingmarketinformation regularly to find out more about our product updates and to subscribe to our FREE electronic reports.

64327_2007_B01